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SUBJECT: CARICOM HEADS SPEAK OUT ON DOHA ROUND

¶1. (SBU) Summary: At their recent annual meeting, CARICOM Heads of Government (HOGs) said they felt marginalized in World Trade Organization (WTO) Doha round negotiations. In the HOGs' opinion, "small and vulnerable economies" are being ignored in the trade talks, which have been dominated by the interests of larger nations. The size issue is of vital importance to Caribbean countries. If GDP per capita is the sole measure of development, then many of these countries are too wealthy to qualify for the special treatment they desire. While the issue of "small and vulnerable economies" has apparently not gained much traction at the WTO, paying more attention to CARICOM's entreaties might assuage their feelings of exclusion and encourage these fourteen Caribbean nations to join in more U.S. Doha initiatives. End Summary.

¶2. (U) Caribbean Community (CARICOM) Heads of Government held their annual meeting July 3-6 in the Federation of St. Kitts and Nevis. (Note: CARICOM is made up of Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago. All but Montserrat are independent countries. End Note.) The heads discussed a broad spectrum of issues (septel), and concerns over the direction of the WTO Doha round figured prominently in the deliberations. Common themes in the Doha discussion were lack of attention to Caribbean views in general and the quest for special and differential treatment for small and vulnerable economies in particular.

Trade Developments at the HOGs Meeting

¶3. (U) Jamaica's new Prime Minister, Portia Simpson-Miller, encapsulated CARICOM's trade position when she charged, "From CARICOM's perspective, the development agenda has not received adequate attention (in WTO talks). Neither has sufficient willingness been shown by the major players to concretely address the needs of small and vulnerable economies such as our own." She then emphasized that trade must promote development and development must reduce poverty. The heads also discussed dwindling European Union (EU) sugar and banana preferences and CARICOM efforts to obtain aid from the EU to help Caribbean economies transition away from these crops. The HOGs expressed their frustration at a lack of progress in the Doha round and discussed ramping up bilateral trade negotiations, particularly the ongoing negotiations with the EU and Canada. In addition, they decided to explore further the idea of a Free Trade Agreement (FTA) with the

United States.

The CSME as a Base

¶4. (U) At the HOGs meeting, six more countries (Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines) signed on to the single market phase of the CARICOM Single Market and Economy (CSME), bringing the total number of signatories to twelve (septel). Of CARICOM members, only the Bahamas, Haiti, and Montserrat have not joined the regional trading bloc. The CSME has been decades in the making, and it will eventually allow the free movement of labor, capital, goods, and services throughout the region, with a common currency to follow. CARICOM member-states hope this regional trading arrangement will give them a stronger position at the WTO and in bilateral negotiations between CARICOM and trading partners.

Comment

¶5. (SBU) Since the early 1980's, CARICOM nations have enjoyed unreciprocal duty-free access for many of their exports to the U.S. and European Union (EU) markets through the Caribbean Basin Initiative and Lome Convention (succeeded by the Cotonou Convention), respectively. These special arrangements expire around 2007, however, and the WTO, EU, and U.S. have stipulated that replacement agreements must be reciprocal. Having become accustomed to the privileged position of exporting duty free while maintaining high import tariffs, CARICOM nations oppose changes to the status quo.

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Despite their misgivings, Caribbean nations want the Doha round to get back on track. With their small markets and relative geopolitical obscurity, these countries realize that the rules-based multilateral trading system of the WTO gives them influence on trade policy well beyond what they could command bilaterally.

¶6. (SBU) While CARICOM supports the WTO process, its member-states have become increasingly frustrated at a lack of progress on their issues, particularly giving special treatment to small and vulnerable economies. Size matters to CARICOM. Many Caribbean countries are too wealthy to qualify for the special treatment they desire under a pure GDP per capita measure. To circumvent this obstacle, CARICOM countries want size and perceived economic vulnerability to factor into WTO agreements on special and differential treatment. The U.S. justifiably has more important priorities in the Doha context, such as working with the major players to get negotiations moving again. Nevertheless, any increase in USG attention to CARICOM's trade concerns may allay their feelings of exclusion and encourage the Caribbean to join in more U.S. Doha initiatives.

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